

LEGAL ALERT

ON CHANGES IN BUSINESS REGULATION IN

UZBEKISTAN

LEGAL ALERT IN RECAP

May-June 2024: The Government of Uzbekistan has launched a series of groundbreaking reforms aimed at modernizing its economy and aligning with global trade standards. These initiatives span across multiple sectors, including antitrust regulation in commodity and financial markets, digital product marking, and significant steps towards gaining World Trade Organization (WTO) membership.

Leges Advokat law firm has prepared the following bulletin with updates on the business matters of the Republic of Uzbekistan.

1. WHICH CHANGES ARE EFFECTIVE FROM JULY 1, 2024?

Starting from July 1, 2024:

- The minimum **charter fund requirement** for operators of the payment systems has been increased to 50 billion Uzbek soums, whereas for payment organizations it has been set at 10 billion Uzbek soums.¹
- Operators of the payment systems and payment organizations must operate exclusively as joint-stock companies.²

Please note that currently, there are three registered payment system operators (Humo, Uzcard, and Qulay Pul) and forty-seven registered payment organizations (including Payme, Click, Uzum, Oson, among others).

- Applications for registration of **computer programs** and **databases** shall be filed through the State Services Centers or state electronic platform (<https://my.gov.uz>).³
- The procedure for issuance of an electronic document with a QR code confirming the registration of the **intellectual property** is introduced.⁴
- The Technology Park of Software Products and Information Technologies (IT Park) introduces a grant allocation system for **startup projects** in the sphere of digital technologies and IT education.

Grants are available in three directions:

- 150 million Uzbek soums for promising projects,
 - 300 million Uzbek soums for projects targeting the local market, and
 - 1 billion Uzbek soums for projects focusing on the global market.⁵
- The mandatory electronic registration, storage, and record-keeping of **Bills of Lading** is introduced.⁶

2. ANTITRUST CONTROL: COMMODITY & FINANCIAL MARKETS

On May 1, 2024, the Government of Uzbekistan enacted a series of cutting-edge regulatory measures in antitrust regulation within the commodity and financial markets:

¹ <https://lex.uz/ru/docs/6681115>

² Ibid.

³ <https://lex.uz/ru/docs/6937316>

⁴ <https://lex.uz/ru/docs/6937316>

⁵ <https://lex.uz/ru/docs/6949202>

⁶ <https://lex.uz/docs/6709063>

№	LEGAL ACTS	KEY CHANGES
1.	Regulation on identifying and recognizing the <u>dominant position or superior bargaining power</u> of a business entity or group of entities within commodity or financial market.	Antimonopoly authority, when analyzing the competitive environment in a commodity or financial market, shall use the following sources of information: <ul style="list-style-type: none">• official statistics;• goods production, sales, and trade volume;• realization price and volumes of goods;• list of enterprises producing and selling goods;• copies of contracts related to the business entity’s business activities;• copies of contracts concluded for the sale of goods;• technical documents on goods.
2.	Regulation on identifying actions of <u>digital platform operators</u> that lead to the recognition of bargaining power and (or) discrimination of the rights and legitimate interests of consumers and other business entities ⁷ .	In order to recognize the <u>dominant position</u> of a digital platform operator, the Antimonopoly authority’s analysis shall determine: <ul style="list-style-type: none">• digital space boundaries;• digital platform operators operating within the digital space boundaries;• the amount of the digital platform operator’s annual income;• the presence of direct and indirect network effects;• the possibility of simultaneous use of different digital platforms by users and the cost of switching between them;• access to user data that affect or may affect the competitive environment of the digital platform operator. A digital platform operator that does not hold a dominant position shall be recognized as having <u>superior bargaining power</u> in the following cases: <ul style="list-style-type: none">• no other digital platform offers a similar service to users;• another platform offers an alternative service, but it is hard to use;

⁷ Please note that the term “digital platforms” is very broad and, among others, includes marketplaces, social media sites, online search engines, online maps, news aggregators, web browsers, online payment systems, etc.

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		<ul style="list-style-type: none">• the possibility of using different digital platforms at the same time is limited;• the digital platform operator can unilaterally influence factors like prices, quality, and service territory.
3.	Regulation on the procedure for recognizing business entities as <u>subjects of natural monopoly</u>	<p>A business entity or a group of entities whose main activity is in the following areas shall be recognized as a <u>natural monopoly entity</u>:</p> <ul style="list-style-type: none">• transportation of oil, oil products by pipeline transport;• transportation and distribution of gas through pipelines;• transportation and distribution of electricity and heat energy;• state railway infrastructure services;• drinking water supply and sewerage services;• aviation and airport services.
4.	Regulation on determining <u>anticompetitive agreements</u> and <u>coordinated actions</u>	<p>The following are the hallmarks of anticompetitive agreements and cooperative actions, as well as coordination of economic activities:</p> <ul style="list-style-type: none">• artificially changing supply volumes through unjustified production cuts or investment restrictions;• agreeing to artificially increase or decrease prices;• applying similar price lists or orders (minutes, instruction) approving the price;• setting production or sales quotas except for cases provided for by legislative acts;• coordinated price changes (simultaneous or consecutive) without economic justification;• establishing uniform prices despite differing costs;• revaluating residual (remaining) goods to ensure uniform prices on the market;• coordinating discounts, surcharges, or markups;

	<ul style="list-style-type: none">• orchestrating reduction or cessation of product supply to create artificial shortages and drive up prices during high demand periods;• maintaining high prices or price components across suppliers;• unjustified refusal to contract with certain buyers or sellers;• dividing markets by region, volume, or customer base;• bid rigging in tenders;• submitting identical bids from different addresses;• participation of interested parties in bidding processes;• single person submitting bids for multiple unrelated entities;• instructing bidders on participation or pricing in tenders;• directing entities to restrict economic activities in certain areas.
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3. TAX INSPECTIONS ON DIGITAL MARKING OF THE GOODS

On 30 May 2024, the Presidential Resolution “On additional measures to accelerate the processes of mandatory digital labeling” No. PP-203 was signed to reduce the effects of shadow production, protect the population from counterfeited products, and improve the digital marking system⁸.

Starting from September 1, 2024:

- For businesses selling digitally labeled products without proper marking readers, there shall be:
 - Initial detection – warning via personal account.
 - Repeat offense within 1 month after two warnings – tax audit for the quarter of the violation.
 - Another repeat within 1 month after tax audit – unannounced tax audit, with same-day notification to the Commissioner for Protection of Entrepreneurs’ Rights and Legitimate Interests.
- Beer retail is carried out by notification of authorized bodies;
- A monthly fee of 10% of the BEA⁹ for the right to retail trade in tobacco and beer products is introduced.

⁸ <https://lex.uz/ru/docs/6947647>

⁹ 1 Basic Estimate Amount (BEA) equals 340,000 Uzbek soums (approx. USD 28) as of 1 July 2024.

Please note that between 1 June 2024 and 1 June 2027, customs duties are waived for imported equipment necessary for digital labeling of products.

4. UZBEKISTAN’S LEAP TOWARDS THE WORLD TRADE ORGANIZATION

The Presidential Decree “On measures to further accelerate market reforms and harmonization of national legislation of Uzbekistan with the agreements of the WTO” UP-85 dated 3 June 2024 has yet again reaffirmed the aspirations of Uzbek government to become a WTO member by canceling the exclusive rights of several state monopolies¹⁰:

№	STATE-OWNED ENTERPRISES	EXCLUSIVE RIGHTS
1.	“Uzmetkombinat” JSC	right to collect ferrous metal scrap and waste nationwide.
2.	“Uzvtorcvetmet” JSC	right to collect and export non-ferrous metal scrap and waste
3.	“Uztrade” JSC	right to export flour, wheat, and small business products without bank guarantees or insurance.
4.	“Uzkimyoimpeks” LLC	sole agency for exporting “Uzkimyosanoat” JSC’s chemical products and importing their production needs.
5.	“UzGasTrade” JSC	right to purchase centrally through imports from external sources of natural gas;
6.	“UZenergositish” JSC	right to carry out centralized export and import of electric energy.

Please note the effective days:

** Points 1-4 – starting from January 1, 2025*

** Points 5-6 – starting from July 1, 2026.*

¹⁰ <https://lex.uz/ru/docs/6949905>

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